

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04 PRS-01

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TAGS: ENRG, CU, OPEC, MX

SUBJECT: MEXICAN PETROLEUM EXPORT POLICY

1. IN MEETING WITH PEMEX OFFICIALS, EMBOFF DISCUSSED SHORT-LONG TERM ASPECTS OF MEXICO'S PETROLEUM POLICY. VISIT WAS PROMPTED BY STATEMENT BY NATIONAL PATRIMONIES MINISTER FLORES DE LA PENA THAT MEXICO MIGHT CONSIDER JOINING OPEC SOMETIME IN FUTURE AND THAT EXPORTS OF PETROLEUM CRUDE WOULD EARN MEXICO AN ESTIMATED 500 MILLION DOLLARS IN 1975.

2. MEXICO BEGAN SHIPMENTS OF CRUDE PETROLEUM TWO WEEKS AGO (SEE MEXICO 7896) TO THREE US FIRMS (CHARTER OIL, JOC OIL AND DOW CHEMICAL) IN JOINT CONTRACT THAT CALLED FOR A TOTAL OF 35,000 BARRELS PER DAY AT 10.30 (US) PER BARREL. SHIPMENTS ARE TO CONTINUE THROUGH DECEMBER, AMOUNTING TO ALMOST 4 1/2 MILLION BARRELS TOTAL.

3. FURTHERMORE, EMBOFF LEARNED THAT THE THREE US FIRMS HAVE BEEN OFFERED THE OPTION TO INCREASE THEIR PURCHASES OF MEXICAN CRUDE TO 45,000 BPD DURING THE MONTHS OF NOVEMBER
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AND DECEMBER UNDER TERMS OF THE PRESENT CONTRACT. PEMEX

OFFICIALS INDICATED THAT THEY ARE SATISFIED WITH THE PRESENT CONTRACT ONLY BECAUSE THEY FEEL IT WAS NECESSARY TO SACRIFICE A CERTAIN AMOUNT IN PRICE IN ORDER TO INTRODUCE MEXICAN CRUDE INTO THE PETROLEUM MARKET. A HIGHER PRICE IS EXPECTED BY PEMEX ONCE THE MARKET HAS HAD TIME TO ASSESS THE QUALITIES OF MEXICAN CRUDE.

4. PEMEX OFFICIALS ARE ALSO SEEKING OUT OTHER MARKETS FOR CRUDE AND, SO FAR, HAVE APPROACHED SEVERAL ADDITIONAL US COMPANIES (UNION OIL, EXXON), JAPAN, CUBA, SEVERAL LATIN AMERICAN COUNTRIES, AND AT PRESENT ARE TRYING TO ENTER THE EUROPEAN MARKET WITH OFFERS TO DUTCH REFINERIES.

5. IT HAS BEEN LEARNED THAT PEMEX DID MAKE OFFER OF CRUDE TO CUBA BUT, DESPITE HIGH COSTS OF SHIPPING, CUBA IS RECEIVING PETROLEUM FROM THE SOVIET UNION AT LESS THAN MEXICO COULD AFFORD TO SELL. THIS IMPLIES A COST TO THE CUBANS OF LESS THAN \$10.00 (US), INCLUDING FREIGHT.

6. PEMEX OFFICIALS EMPHASIZED THAT MEXICAN CRUDE IS FOR SALE TO ANY MARKET, WITHOUT POLITICAL CONSIDERATION. THEY IMPLY, HOWEVER, THAT BECAUSE OF LOWER FREIGHT COSTS TO THE US, THE LATTER IS IN A FAVORABLE POSITION TO COMPETE FOR MEXICAN CRUDE.

7. IN AN INTERESTING SIDELIGHT ON RELATIONS WITH US COMPANIES, PEMEX IS GREATLY ANNOYED WITH EXXON BECAUSE OF WHAT PEMEX VIEWS AS A CONTRIVED SCARCITY IN PETROCHEMICALS FOR SPECULATIVE PURPOSES. PEMEX WAS ATTEMPTING TO ARRANGE BARTER OR SALES ARRANGEMENT WITH EXXON, INVOLVING MEXICAN CRUDE IN EXCHANGE FOR CERTAIN PETROCHEMICALS (AMONG THEM, POLYETHYLENE). PEMEX WAS UPSET BECAUSE OF HIGH PRICE BEING CHARGED BY EXXON, WHILE MEXICO WAS WILLING TO SELL ITS PETROLEUM FOR A "FAIR MARKET PRICE." PEMEX ACCUSED EXXON OF RUNNING PETROCHEMICAL PLANTS IN JAPAN AT 70 PERCENT CAPACITY TO DRIVE UP THE PRICE OF PETROCHEMICALS.

8. AMOUNT OF CRUDE IN MEXICO AVAILABLE FOR EXPORT IN 1975 STILL UNDECIDED, BUT EMBOFF INFORMED CAPACITY FOR EXPORT OF 150,000 BPD DOES EXIST. PEMEX CONFIDENT OF AVAILABILITY LIMITED OFFICIAL USE

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OF OIL BUT ARE CONCERNED THAT BOTTLENECKS IN OTHER AREAS (TRANSPORT, STORAGE) MAY INHIBIT THE SALE OF AS MUCH PETROLEUM AS THEY MIGHT LIKE TO EXPORT.

9. MEXICO IS VERY ACTIVELY CONSIDERING THE POSSIBILITY AT THIS TIME OF NOT EXPORTING ANY FURTHER CRUDE AFTER 1975, OR WHEN REMAINING REFINING AND PETROCHEMICAL INSTALLATIONS UNDER CONSTRUCTION COME ON STREAM. PEMEX FEELS ITS SOLE

RESPONSIBILITY IS TO PROVIDE MEXICO WITH ALL THE PETROLEUM AND PETROCHEMICAL PRODUCTS IT NEEDS FOR DEVELOPMENT AND DOES NOT APPEAR TO BE INTERESTED IN A FUTURE ROLE AS A LARGE SCALE EXPORTER--DESPITE THE OBVIOUS RELISH WITH WHICH PEMEX OFFICIALS GREET THE NUMBERS OF BUYERS THAT CALL ON THEM. THIS IS ONE REASON WHY PEMEX OFFICIALS DISMISSED FLORES DE LA PENA'S STATEMENT ABOUT JOINING OPEC AS "POLITICAL NONSENSE". FURTHERMORE, PEMEX FEELS THAT ITS INDEPENDENCE FROM A POLITICALLY TAINTED OPEC GIVES IT A GREATER FLEXIBILITY IN THE MARKET PLACE AND CONTRIBUTES TO THE ATTRACTIVENESS OF MEXICAN CRUDE.
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